

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SS-15 L-03 H-03 NSC-10 SPC-03

PA-03 PRS-01 USIA-15 CIAE-00 INR-10 NSAE-00 RSC-01

EB-11 COME-00 STR-08 OMB-01 TRSE-00 INT-08 SCS-03

SCA-01 DRC-01 /123 W
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P R 271620Z SEP 73

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC PRIORITY 5176

INFO AMEMBASSY WARSAW

C O N F I D E N T I A L PRAGUE 2311

WARSAW FOR JOHN BAKER

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ

SUBJECT: CLAIMS NEGOTIATIONS--SESSION EIGHT

REF: PRAGUE 2277

1. BEGIN SUMMARY. CZECHS MADE COUNTER-PROPOSAL OF \$7 MIL-
LION LUMP-SUM SETTLEMENT OFFER. US DELEGATION SAID THAT
PROPOSAL DID NOT PROVIDE BASIS FOR MOVING TOWARD ACCEPTABLE
SETTLEMENT. US DELEGATION TABLED PROPOSAL FOR PAYMENT OF
LUMP SUM IN FIVE ANNUAL EQUAL INSTALLMENTS WHICH CZECH
CHARACTERIZED AS ONE MORE UNACCEPTABLE US PROPOSAL. END
SUMMARY.

2. CHIEF OF CZECHOSLOVAK DELEGATION (ZANTOVSKY) BEGAN SEP-
TEMBER 27 NEGOTIATING SESSION WITH REVIEW OF SITUATION
AND ASSESSMENT OF PROPOSALS MADE ON BOTH SIDES. HE SAID
THAT IN SPITE OF FACT THAT US PROPOSAL ON CENTRAL ISSUE--
SUM PAYABLE BY CSSR--WAS COMPLETELY UNACCEPTABLE TO
CZECHS, HE WOULD, IN SPIRIT OF GOOD WILL, MAKE COUNTER
PROPOSAL OF \$7 MILLION. OFFER, HE SAID, WAS \$5 MILLION ABOVE
1964 SETTLEMENT AND REPRESENTED SUBSTANTIAL STEP FORWARD IN
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LIGHT OF CZECH EVALUATION OF VALUE OF US CLAIMS. US DELEGATION

SAID THAT IT WOULD REPORT PROPOSAL TO WASHINGTON, BUT THAT FIGURE DID NOT PROVIDE ACCEPTABLE BASIS FOR MOVING TOWARD SETTLEMENT.

3. US DELEGATION PLACED ON TABLE OPENING US POSITION ON TERMS FOR PAYMENT OF CLAIMS SETTLEMENT OF FIVE YEARS. ZANTOVSKY ANSWERED BY SAYING THAT US DELEGATION HAD PRESENTED ONE PROPOSAL AFTER ANOTHER WHICH CZECHS CONSIDERED UNACCEPTABLE AND THAT THIS PROPOSAL WAS ALSO NOT ACCEPTABLE. IF THIS HAD NOT BEEN DIPLOMATIC NEGOTIATION, HE SAID, HE WOULD NOT HAVE CONFINED HIS RESPONSE TO SUCH POLITE LANGUAGE. HE DEFERRED SUBSTANTIVE COMMENT ON US PROPOSAL UNTIL LATER SESSION.

4. CONCERNING US POSITION ON ZIVNOSTENSKA/AUGSTEIN CASE, US DELEGATION EXPLAINED THAT ASSETS OF CZECHOSLOVAK BANK IN QUESTION HAD BEEN HANDED OVER TO PLAINTIFF IN LAWSUIT ACCORDING JUDGEMENT REACHED BY US COURT. SINCE CZECHS DID NOT EXHAUST THEIR LEGAL REMEDIES BY APPEALING DECISION AND SINCE USG WAS NOT PARTY TO CASE, CLAIM BY CZECHOSLOVAKIA FOR COMPENSATION WAS NOT JUSTIFIED. IN ANY EVENT, TERMS OF 1964 ABORTED AGREEMENT PROVIDED THAT ANY PROCEEDS WHICH CSSR REALIZED FROM LAWSUIT WOULD BE USED TO COMPENSATE US CLAIMANTS IN ADDITION TO \$2 MILLION AGREED-UPON LUMP SUM. WE ASSURED CZECHS THAT CLAIMS ON BASIS OF WHICH ZIVNOSTENSKA ASSETS WERE ATTACHED AND AWARDED TO PLAINTIFFS WERE NOT ALLOWED BY FCSC AND ARE NOT INCLUDED IN \$75 MILLION CLAIM FIGURE.

5. REPLYING TO CONTENTION BY CZECH DELEGATION THAT \$700,000 LOSS SUFFERED BY CZECH FIRMS BECAUSE OF DECISION OF USG NOT TO GRANT PERMITS FOR EXPORT OF MACHINERY PURCHASES IN US IN 1947 SHOULD BE INCLUDED IN SETTLEMENT, US DELEGATION SAID THAT GRANTING OR WITHHOLDING OF SUCH PERMITS IS LEGAL RIGHT OF STATES AND THAT LOSSES INCURRED BECAUSE EXPORT PERMITS WERE DENIED WERE RISK OF BUSINESS FOR WHICH COMPENSATION WAS NOT LEGALLY DUE. WE ARGUED FURTHER THAT CZECHS LOSS ANALOGOUS TO LOSSES SUFFERED BY US CITIZENS WHO WERE NOT PERMITTED TO EXPORT FINANCIAL ASSETS FROM CZECHOSLOVAKIA WHICH, AS CONSEQUENCE, WERE ADVERSELY AFFECTED BY CZECHOSLOVAK MONETARY REFORMS AND THAT CLAIMS FOR SUCH LOSSES WERE DENIED BY FCSC

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AND NOT INCLUDED IN \$72.6 MILLION PRINCIPAL AMOUNT OF AWARDS.

6. NINTH PLENARY MEETING SCHEDULED FOR 10:00 A.M. ON SEPTEMBER 28.

WORTZEL

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NNN

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